

Bonneville Power Administration

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Internet auction saves Northwest ratepayers millions of dollars

PORTLAND, Ore. - The Bonneville Power Administration announced today that it saved millions of dollars buying high-voltage transmission equipment through an Internet auction. Siemens Power Transmission & Distribution Inc. was recently awarded a contract to provide BPA with shunt reactor banks for \$5.26 million, \$3 million less than the original estimate.

BPA's first trip to the electronic marketplace was very successful and officials see many more in the future. Traditionally, when BPA purchased equipment, especially highly engineered equipment such as shunt reactor banks, it would mail out solicitations to a limited number of qualified vendors, wait for proposals and spend weeks negotiating before making a final award. After all that, there would be very little movement in price. All this changed when BPA tested a new electronic marketplace specifically tailored for utilities. It provides an electronic business platform for purchasing equipment via the Internet while saving money on transaction costs.

When we began our 'e-commerce' initiative, this was exactly the kind of savings we were hoping to find, said BPA Administrator Steve Wright. Savings like these are particularly important at this time because we are doing everything we can to keep costs and rates down.

Through this particular electronic business platform, utilities can purchase everything from tools to shunt reactor banks. They can either make outright purchases or conduct online auctions.

In an auction, the vendors' proposed products are pre-evaluated. The number of vendors who are online during the actual auction is limited to only those with acceptable high quality products. BPA had narrowed the vendors to five. The bidding process was designed to take 15 minutes. The online service that BPA used for this transaction was Pantellos, an electronic marketplace and supply chain services company built by and for the energy industry. Pantellos helped BPA determine the total cost of the products being purchased as well as which supplier could provide the best service and overall value. In other words, the lowest bid may not have been the best value.

During the bidding process, we saw more downward movement in price than ever before, said Ann Scholl, program manager for BPA. This auction bidding process produces a much more competitive situation.

BPA hopes to use this process again soon, perhaps to buy some transformers for Walla Walla, Washington. BPA is also looking into becoming a purchasing hub for public utilities in the Northwest. By being a hub, BPA could work with other utilities to buy materials in large quantities via the electronic marketplace. This would allow

everyone to share in the savings. However, a decision is at least a year away.

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